

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008



### HIGHLIGHTS DURING THE QUARTER

- **\$4.9m in cash and \$2.2 in receivables at Quarter end**
- **Philippines Nickel Heap Leach Pre Feasibility Study completed**
- **Construction of Trial Leach Pads underway**
- **Operating expenses reduced**
- **DSO market inquiries increasing**

### RUSINA CORPORATE

#### **Rusina Corporate**

The Company's cash balance at the end of the quarter was \$4.9m as compared with \$5.2m at the end of the prior quarter.

In addition to cash on hand there are receivables of \$2.2m payable from our joint venture partners.

The majority of expenditure and operating activities is now being undertaken by our joint venture partners European Nickel and DMCI Mining. The Company has also implemented a revised budget that reduces annual expenditures through the elimination and/or deferral of all non-essential expenditure.

The Company continues to benefit from holding a majority of its cash in US dollars which has further strengthened against the Australian dollar during the reporting period.

In November the Company held its Annual General Meeting at which all resolutions were passed on a show of hands.

There were no share issues during the quarter. The total number of ordinary shares on issue as at the end of the 2008 calendar year was 245,202,715.

## NICKEL MINING

### DMCI NICKEL LATERITE MINING AGREEMENT - Rusina 50%, DMCI 50%

**Background:**

DMCI Mining, a subsidiary of Philippine listed construction company DMCI Holdings, and Rusina, have an alliancing Direct Ship Ore (DSO) agreement wherein DMCI is responsible for all funding, mining, grade control, rehabilitation, road and port developments as well as the marketing and sales obligations of 5 million tonnes of nickel ore over 5 years.

**Update:**

As advised in the previous quarterly report, the DSO market has eased significantly and only one 7,500t 2.1% Ni trial shipment took place for a Japanese customer during the quarter. The trial shipment was successful and DMCI is reviewing mine plans for possible future cargoes. The new year has shown some renewed interest in DSO cargoes, particularly in high iron content but margins remain low. DMCI has advised that it has signed a contract to move 50kt 1.3% Ni with Laycan in February 2009 and is continuing to negotiate for the higher grade 1.8%Ni cargoes.

### DMCI FERRONICKEL PROJECT, SEMIRARA - Rusina 40%, DMCI 60%

**Background:**

Under an arrangement between DMCI and Rusina, DMCI is investigating the feasibility of a ferronickel facility in the Philippines where Rusina has up to 40% free carry in such a project, and will guarantee the nickel ore supply for up to 5 years.

**Update:**

Nothing to report this quarter.

### EUROPEAN NICKEL PLC, HEAP LEACH STUDY – Rusina 40%, EN 40%, LP 20%<sup>1</sup>

**Background:**

European Nickel plc and Rusina have entered into a JV agreement to investigate the feasibility of Heap Leaching of Acoje nickel ore. Under the agreement European Nickel will spend US\$ 10 million on the feasibility study to earn up to 40% of the nickel laterite project.

**Update:**

The Acoje pre feasibility study being conducted by European Nickel PLC on the heap leaching of nickel laterites was released during the quarter. Highlights of the PFS are:

<sup>1</sup> LP - Local Partners, DMCI and others 20%. This figure is at the mining level, the Processing Facility can sustain 100% foreign equity and will be subject to capital subscription.

- JORC combined limonite plus saprolite Indicated Resource of 34.41 million tonnes (Mt) at 1.09% nickel from an Inferred plus Indicated Resource of 50.14 Mt at 1.06% nickel using a 0.8% cut off grade
- Estimated annual production of 24,500 tonnes of nickel and 930 tonnes of cobalt
- Estimated cash cost of US\$3.10/lb of nickel, net of by-products including refining costs at US\$6.00/lb nickel price and US\$10/lb cobalt price
- Total development estimated at US\$498 million
- Estimated capital cost per annual pound of nickel of US\$7.84
- Post-tax Net Present Value of US\$375 million (at a 10% discount rate) and US\$6/lb nickel price and \$10/lb cobalt
- Internal Rate of Return of 28.3%
- 3 year payback period
- Forecast annual sales of US\$260 million, based on a long term nickel price of US\$6.00/lb and including by-product credits
- Significant potential to increase NPV and IRR with extended mine life by confirming the JORC Inferred Acoje and Zambales Chromite deposits to JORC Indicated status

The results demonstrate an economically viable nickel laterite project using heap leach technology producing 24,500 tonnes a year of contained nickel and 930 tonnes of contained cobalt. The study for the Acoje project is based on a JORC Indicated Resource of 30.76 million tonnes at 1.12% nickel and 0.05% cobalt (at a 0.8% nickel cut-off for saprolite and a 0.9% nickel cut off for limonite) giving the project an initial mine life of 10 years. Mining will be at a rate of three million tonnes per annum, with a low strip ratio of 0.46, and cash costs are estimated at US\$3.10 per pound of nickel (at US\$6/lb Ni), net of by-products including a refining charge of 25% of the nickel price and a cobalt price of US\$10/lb. Further potential resources have been identified, the JORC Inferred Resources at Acoje and the Zambales Chromite deposit, which are expected to extend the mine life beyond 20 years and are expected to be confirmed to JORC Indicated Resource levels during the DFS.

The basis for the Study was the November 2008 Snowden Mining Industry Consultants resource estimate. This only used the indicated resource at Acoje. The inferred resource at Acoje and Zambales Chromite has not been used. The Companies anticipate that these further resources will be upgraded at Acoje by infill drilling during 2009 which should significantly increase the Net Present Value and the rate of return of the project in the future through greater mine life.

### **Trial Leach Facility Construction**

The project has now moved into the Definitive Feasibility Study ('DFS') phase with the construction of the trial leach facility at Acoje to demonstrate the large scale permeability and recovery of the Acoje ore. First leaching is on schedule for April 2009. In addition, European Nickel has constructed a research laboratory at Acoje where larger 4m column test work as well as advanced metallurgical work on enhancing the final mixed hydroxide products can be undertaken as part of the DFS. The permitting of the full-scale plant has also commenced and the Chinese engineering group (China Tianchan Engineering Corporation) has conducted a site visit.



Trial heap leach pads under construction at Acoje



Fig 2 Acoje Research Lab. Steel works for 4m columns complete.

## Exploration

### ZAMBALES DISTRICT

#### **Zambales Chromite Mining Company Inc (ZCMC) - Rusina 40%, EN 40%, DMCI 20%**

**Background:**

Rusina, European Nickel and DMCI have purchased all of the shares in ZCMC which holds mining tenement MPSA-005-91-III, an area of 540 hectares located 3 km north of Acoje. This tenement is highly prospective for nickel laterites and an initial JORC resource estimate of 23.5Mt grading 1.18% Ni and 0.05% Co was defined in December 2007.

**Update:**

Nothing to report in this quarter.

#### **Acoje Chromite<sup>2</sup> and Platinum Group Metals (PGM's) - Rusina 80%, LP 20%**

**Background:**

The Acoje Mine operated from 1935 as South East Asia's largest metallurgical grade chromite mine producing over 10 Mt of ore. The underground and surface mining closed in 1991 due to insufficient sustaining capital and low commodity prices. The mine reportedly had on its books when it closed between 3.6 – 3.7 Mt of chromite grading between 17-18% Cr<sub>2</sub>O<sub>3</sub> remaining underground. Between 1970 and 1975, the mine produced 15,000 oz of PGMs from a nickel sulphide lode intercepted as part of the underground operation.

A scoping study in 2006 conducted by Rusina established that the surface chromite resources were mostly lateritic and presently uneconomic, whilst the primary surface chromite was located in widely disseminated pods across the property not lending itself to an efficient open pit operation capable of sustaining sufficient cash flow to fund a process plant and the underground refurbishment.

**Update:**

**Open Movable Chromite:-**

The quarter saw reduced demand for chromite. A 1,500 tonne shipment is scheduled for February 2009. DMCI continues to review an option to construct a small-scale plant to process the lower grade chromite and to increase tonnages.

**Underground Chromite, Nickel Sulphide, and PGM exploration:-**

Nothing to report this quarter.

<sup>2</sup> Note the above chromite target ore figures are based on historic reports are reported under section 18 of the JORC code and are conceptual until further drilling can confirm these figures. There can be no guarantee that a classification as Resource or Reserve will occur in accordance with JORC requirements.

## DMCI – RUSINA EXPLORATION

### **Background:**

Rusina has entered a joint exploration agreement with DMCI Holdings Inc to form an exploration and mining joint venture company [DMCI (60%) and Rusina (40%)] where all Rusina's and DMCI's non Zambales properties would be vended into the yet to be formed subsidiary. These properties include Rusina's Abogado properties EXPA-00068-XII and EXPA-00074-XII and DMCI's Mineral Production Sharing Agreement (MPSA) MPSA-000166-XII in Sultan Kudarat and the Sodaco Agricultural Corporation, a fully owned subsidiary of DMCI, MPSA application APSA-00008-XI located at South Cotabato.

### **Sodaco Prospect - Rusina 40% DMCI 60%**

The Sodaco Project is located on Mindanao Island, 48 km. north-northwest of General Santos City in the southern Philippines. The project boundary lies entirely within the Xstrata-controlled Tampakan FTAA-002-95-X1 and is 900m from the world class Tampakan copper-gold deposit with a resource of 2.2 billion tonnes at 0.72% copper equivalent. The Tampakan copper-gold deposit is a major high-sulphidation epithermal deposit superimposed on an underlying porphyry copper system.

### **Update:**

Nothing to report in this quarter.

### **Abogado Prospect – Rusina 40%, DMCI 60%**

The Abogado Project is located on Mindanao Island in Sultan Kudarat province, 67 km west of General Santos City in the southern Philippines. The project is held under two Exploration Permit Applications (EXPA) and an MPSA, for a total area of 7,898 hectares (79 km<sup>2</sup>).

### **Update:**

Nothing to report in this quarter.

## **PANAY PROJECTS - Rusina 100%**

### **Pan de Azucar Project, Iloilo**

The Pan de Azucar project (PDA) is located on Pan de Azucar Island, 112 km north-east of Iloilo City, Panay Island, central Philippines. The project is held through the 1,296 hectare EXPA.

### **Update:**

Nothing to report in this quarter.

### **Guimaras Project, Iloilo**

The Guimaras project is part of a 2,592 hectare EXPA, located on Guimaras Island, 30 km south of Iloilo City, Panay Island, central Philippines.

### **Update:**

Nothing to report in this quarter.

Yours faithfully,



**Robert G M Gregory**  
CEO & Managing Director

*The information in this report that relates to Mineral Resources is based on information compiled by Mr Scott Robson, who is a Member of The Australasian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves”. The information in this report that relates to other exploration matters is based on information compiled by Robert Gregory, who is a member of the Australasian Institute of Mining and Metallurgy and has the relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves”. Mr Robson and Mr Gregory consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

For further information please visit our website – [www.rusina.com.au](http://www.rusina.com.au)